RELEASE - Wednesday, March 28, 1934

ARTICLE 1.

DAIRY ADJUSTMENT - WHAT AND WHY

(EDITOR'S NOTE: This is the first of a series of articles prepared by the Agricultural Adjustment Administration describing conditions in the dairy industry and explaining the proposed dairy adjustment program.)

This recovery period has brought many problems to the American people; but few are more difficult or more important than rescuing the dairy industry from the morass of over-production and ruinous prices in which it has floundered during the last two years. The welfare of some four and a half million farm families is involved. And many millions of urban consumers will be affected by what is done.

That the dairy farmers are in trouble is attested by the fact that their products are selling at prices 40 percent below pre-war parity and that their gross income has been cut in half during the depression. Evidence of a more concrete nature is furnished by the milk strikes and other disorders which have taken place in dairy areas during the last year. But the most convincing evidence is found on the farms and in the homes of dairymen, where women and children are ill-clad and under-nourished, and are doing without many of the simplest necessities of life. For it is a fact -- probably not realized by many city dwellers -- that even farm families suffer from hunger and malnutrition. Members of a dairyman's family may have plenty of milk, but they often lack other essential foods. They

may be very scantily dressed, and their house may be in a sad state of disrepair. Many rural families are actually on public relief rolls.

While the basic trouble is over-production (some people prefer to call it under-consumption), there are a number of factors which complicate the problem. Milk, the primary product, not only is consumed in its fluid form but is manufactured into butter, cheese, ice cream and other products, with the result that the prices of all are closely related. Anything that influences the price of one has an immediate effect on the others. Production and consumption of milk take place every day in the year, and there must be a delicate balance between supply and demand. There is also the fact that milk, one of the most valuable of human foods, is also one of the most dangerous, if it is not produced and handled under the strictest sanitary conditions.

Other reasons why the problem is difficult are connected with the distribution system. In some cities monopolistic conditions tend to pile up the profits of the distributors, at the expense of producers and consumers; while in others excessive competition among the distributors puts them all on the verge of bankruptcy and keeps the market generally demoralized. There is competition between wagon distributors and chain stores, and in some cities large numbers of producers have gone into the distribution of milk.

But perhaps the factor which causes the most trouble of all is the peculiar way in which many people react to matters involving milk. It seems as if their emotions get the better of their ability to reason calmly and bitter arguments develop which probably have no parallel in the case of any other commodity.

In spite of all these complexities, it is clear that the Agricultural Adjustment Administration, entrusted by Congress with the task of restoring the purchasing power of American farmers, has a responsibility to the dairy industry.

Under the Agricultural Adjustment Act, seven commodities are listed as basic. For six of these -- cotton, tobacco, wheat, corn, hogs, and rice -- production adjustment programs have been or are being placed in effect. The surplus supplies which had been demoralizing prices are being reduced, and farmers who have suffered from depressed conditions for a dozen years at last are attaining a better economic position. The increased purchasing power placed in their hands is causing mill wheels to turn in manufacturing districts.

The seventh basic commodity is milk and its products. The Adjustment Administration is now engaged in working out a program for rehabilitation of the milk producers.

So complex are the problems of the dairy industry that some persons have suggested that it would be better for the Government to do nothing. They argue that the situation will adjust itself eventually, by so-called "natural" processes. From the standpoint of administrators of the Act, it certainly would be easier to let the dairy problem work itself out. But what would this mean to dairy farmers and consumers? It would mean a continuation of the present wearing-down process until enough dairymen have been forced out of business to bring supplies into line with effective demand. To put it bluntly, the dairymen would simply be starved out.

Experience has shown that in periods of general price change, prices of dairy products lag behind other prices. When prices in general are rising, dairy products, like wages, lag behind. This is what happened during

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The seventh basic commodity is milk and its products. The Adjustment Administration is now ready to work out a program for stabilization of the milk production.

In discussing the problems of the dairy industry many dairymen have suggested that it would be better for the Government to do nothing. They reason that the situation will adjust itself eventually, by the natural forces of competition. From the standpoint of the administration of the Act, it probably would be easier to let the dairy problem work itself out. But what would this mean to dairy farmers and consumers? It would mean a continuation of the present starvation-level returns until enough dairymen have been forced out of business to bring supplies into line with effective demand. To put it bluntly, the dairymen would simply be starved out.

Experience has shown that in periods of general price decline, prices of dairy products lag behind other prices. When prices in general are rising, dairy products, like wages, lag behind. This is what happened during

and immediately after the War -- a period marked by much unrest among dairymen. There is reason to believe that if nothing is done to relieve the situation, the present period will be still more painful for them. In the end it is likely that the curtailment brought about by "natural" processes would go too far. Cows would not be properly fed, the quality of milk would be impaired and sanitary standards would be lowered. Eventually an actual milk shortage would occur. Thus both producers and consumers would suffer.

It is to prevent such an eventuality that the machinery for agricultural adjustment has been devised by Congress. And with the cooperation and support of the producer and consumer groups, this eventuality <u>can</u> be prevented.

(The second article of this series, showing how milk production has outrun demand, will appear tomorrow.)

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RELEASE - Thursday, March 29, 1934 ARTICLE 2.

DAIRY ADJUSTMENT - WHAT AND WHY

(EDITOR'S NOTE: This is the second of a series of articles prepared by the Agricultural Adjustment Administration describing conditions in the dairy industry and explaining the proposed dairy adjustment program.)

Expansion of plant capacity by manufacturing industries is a common phenomenon of periods of prosperity, when sales are mounting and profits are high. But when sales fall off and profits begin to disappear, the manufacturer closes down part of his plant and makes only what he can sell at a price above cost.

The exact opposite of this procedure has been followed by the dairy industry during the depression. As explained below, this is because of the peculiar nature of dairy production. There are now more than 26,000,000 milk cows on farms in the United States, as compared with 21,219,000 in 1928. This is an increase of nearly 18 per cent in a little more than five years. The increase from 1933 to 1934 was more than 3 per cent.

What has been the effect of this increase in "plant capacity" on production of milk? In 1928 the production of milk was nearly 96 billion pounds, or 800 pounds per capita. In 1932, the latest year for which figures are available, it was nearly 102 billion pounds, or 812 pounds per capita.

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One would expect that such an increase in supply, without a corresponding increase in demand, would result in a lowering in price. And if it accompanied a falling off in demand, the derease in price would be still more pronounced.

Examination of the figures reveals that the average farm price received for butterfat in milk and all other dairy products during January was 25.7 cents per pound. This was nearly 40 per cent below "parity" or fair exchange prices, as compared with the 1909-1914 base period. The producer, therefore, received 16.8 cents a pound less for his butterfat, in terms of exchange value, than he would have been paid during the 1909-1914 years.

The relation of farm butterfat prices to current parity prices during each month for more than a year past has been traced by economists of the Department of Agriculture. While there has been considerable variation, the farm price has been well below current parity levels in every month of the period. The parity price itself varies from month to month according to the variation in general commodity price levels.

The difference between actual farm prices for butterfat and the price which would have represented parity at that time, or the amount the farm price was below parity, is given for each month, as follows: December, 1932, 11.6 cents; January, 1933, 12.5 cents; February, 14.6 cents; March, 14.7 cents; April, 12.6 cents; May, 10.5 cents; June, 9.6 cents; July, 7.9 cents; August, 11.1 cents; September, 12.4 cents; October, 13.2 cents; November 13.6 cents; December, 15.9 cents, and January, 1934, 16.8 cents.

Low prices received by producers in many cases have not been reflected in decreases to consumers, however. Instead, they have merely served to increase distributors' margins.

Studies by Department economists over a ten-year period have shown that the aggregate amount spent by consumers for dairy products tends to stay about the same, with a given volume of industrial pay rolls. As pay rolls rise or fall, the amount of money spent for dairy products increases or decreases. During the depression, total pay rolls have shrunk materially. Furthermore, many families have moved from cities to small towns or farms and fewer babies have been born. As a result, there are estimated to be 9 per cent fewer children of less than five years of age in the large cities than there were in 1930.

To realize the significance of this situation, one must look backward a few years. During the post-war period, when the cities were prosperous, the dairy industry carried on an effective campaign to educate consumers to the nutritive value of dairy products. The expanding market thus opened up, plus the availability of cheap feed due to the low price of grains, kept the dairy industry from feeling the farm depression as soon as it was felt by the producers of wheat, cotton and other staples. Now, however, the situation is reversed. Market outlets for dairy products have contracted, at least temporarily, and prices of feed grains are high.

If farmers were able to follow the procedure of industrialists, they would immediately close down part of their plant and curtail supply when demand falls off. But for them it is not so simple. Their "machines" consist of living animals, which cannot be shut off and turned on at will. Biological processes stretching over considerable periods of time cause cow numbers to continue to increase even after it is evident that there are already too many cows. Then, dairy farmers suffer from the same handicap as other farmers, that when price per unit of their product is low, they must strive to produce as many units as possible, in order to meet their fixed charges of debts and taxes.

At present, the full effect of the unprecedented number of cows is not being felt in milk production, because of the high price of feed. Many farmers are feeding their cows less intensively, and thus their production is held down. But prospects are that later in the spring, when the cows go on pasture, production will again increase. If this is the case, down will go the price of butterfat once more.

No one expects the manufacturers of automobiles or shoes or hats to keep on producing their products at a loss, when consumers are unable to buy their product at a price which will cover their necessary cost. Neither should the dairy farmer be expected to do this.

The logical thing, and certainly the fair thing to all concerned, is for the dairy farmers to restrict their supply, pending a complete revival of consumer purchasing power, just as the manufacturers do. This they find virtually impossible, acting by themselves. But with the centralizing power of the Government brought to their aid, they can attain a common action which would be impossible otherwise.

(The third article of this series, describing the interdependence of fluid milk and butter producers, will appear tomorrow.)

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RELEASE - Friday, March 30, 1934

DAIRY ADJUSTMENT - WHAT AND WHY

(EDITOR'S NOTE: This is the third of a series of articles prepared by the Agricultural Adjustment Administration describing conditions in the dairy industry and explaining the proposed dairy adjustment program.)

There are two principal groups of dairymen in the United States -- those whose milk is sold for consumption in its fluid form, and those whose milk is converted into butter, cheese, ice cream, evaporated milk, powdered milk, and other manufactured products. Each group is in trouble. And the difficulties of each aggravate those of the other. That is why it is necessary to carry out an adjustment program for the entire industry if either group is to be materially assisted.

The average price received by producers of fluid milk in the milk shed areas surrounding large cities is made up of the price they receive for that portion of their milk going into fluid milk consumption (generally known as the "base price") and the price they receive for the remainder of their milk, which is used in manufactured products (the "surplus price"). In some markets, where the classified price system is in effect, they are paid a separate price for each of several classes of milk. The base, or Class One, price may be more than double the price received for milk going into manufactured products.

If all milk produced by the farmers in these market milk areas could be sold at the fluid milk price, their complaints would not be so loud as they are. But supply and demand conditions are such that much of their product can

not be sold as fluid milk and must be converted into manufactured products. Through organization and collective bargaining (and more recently through marketing agreements placed in effect by the Agricultural Adjustment Administration), they have been able to maintain base, or Class One, prices within striking distance of parity. But with respect to the price for the remainder of their milk they are at the mercy of the general butterfat market, which is affected by the production of dairymen everywhere in the country. Thus they suffer by reason of the over-production of the farmers producing milk entirely for manufactured products.

But this is only half the story. Where there is over-production (or under-consumption, as one may please to call it) in the fluid milk areas, the amount of milk which spills over into surplus uses is increased. This increases the total supply going into manufactured products, and depresses the price of butterfat in general. Thus the dairymen in the manufactured product areas suffer by reason of the over-production in the fluid milk regions.

Nor is this all. As long as the price of butterfat is low, it is almost impossible to hold the price of fluid milk at full parity. On account of costs of sanitation, handling of bottles, refrigeration, quick perishability and other legitimate costs, fluid milk prices always must be considerably higher than the price of milk sold for manufactured dairy products. But fluid milk prices usually are kept in line with the normal excess margin over butterfat prices. Otherwise, milk is attracted from the areas outside the regular milk shed. Dealers thus may obtain their supply at less than the regular fluid milk price, and outside producers may sell for more than they could get otherwise. Of course, under the milk marketing agreements, buying of milk at less than the minimum price specified is ruled out. But in practice, enforcement of these prices

becomes virtually impossible if the price within a given milk shed is much higher than its normal relationship with the price outside. Modern tank trucks and refrigerator cars have made it easy to bring in milk from considerable distances.

Even if the competing milk is not brought in fluid form from outside the regular milk shed, it is apt to enter as evaporated or powdered milk if the fluid milk price is out of line with the prices of manufactured products. Consumers discover that they can save money by buying milk in the can instead of the bottle; and as a result sales of fluid milk fall off. When this happens, fluid milk prices begin to fall back to their normal relationship with butterfat prices.

Thus it will be seen that the principal obstacle to getting parity prices for the fluid milk producers is the lack of control of production of milk in the country as a whole. The same lack of control also prevents the producers of milk for manufacture from receiving parity prices.

Some leaders in the dairy industry hold that all that is needed is for the Government to put through marketing agreements for the fluid milk sheds. And many dairymen believe that it is possible, through these agreements, for them to receive "cost of production" forthwith. Experience has shown that the problem is not so simple as that. The facts are that if production control is instituted for the industry as a whole, the marketing agreements will be of greater value, and without production control their usefulness will be confined to narrowed limits.

(The fourth article of this series, outlining the various plans suggested for relief of the dairy industry, will appear tomorrow.)

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RELEASE - Saturday, March 31, 1934

DAIRY ADJUSTMENT - WHAT AND WHY

(EDITOR'S NOTE: This is the fourth of a series of articles prepared by the Agricultural Adjustment Administration describing conditions in the dairy industry and explaining the proposed dairy adjustment program.)

The dairy industry at present is far from being united on any program. In an effort to avert further disunity with resulting inaction toward relief, the Agricultural Adjustment Administration has offered a program. This plan is the result of many weeks of intense study and work. But the Administration primarily is interested in crystalizing farm sentiment upon some one sound plan--this one with modifications and improvements--or if any one can propose it, a better plan. That is up to the farmers.

During the last few months scores of dairy plans have been submitted to the Agricultural Adjustment Administration. These have been carefully analyzed by dairy experts and economists. Some of the outstanding suggestions with the reasons why they do not appear to the Adjustment Administration to be adequate to meet the situation, are given here.

First and perhaps most widely discussed is the proposal of some fluid milk organization that the Adjustment Administration should fix consumers' prices on fluid milk. This policy was tried last year in several marketing agreements. But the result was that the Federal Government became embroiled in arguments between wagon distributors and chain stores, in labor disputes, and a number of other questions which have nothing to do directly with assisting milk producers. Furthermore, the Government was put in the

position of "freezing" certain spreads between producers' and consumers' prices. This had the effect of guaranteeing distributors' profits, which in some instances are more than ample already.

To avoid these drawbacks, the Adjustment Administration is now placing in effect marketing agreements and licenses which enforce producers' prices only. Resale prices are fixed only if collusion and profiteering among distributors make it necessary to specify a maximum, or if large numbers of producer-distributors in a given market make it advisable to name a low minimum resale price, so as to put a bottom under the market.

If minimum producers' prices are enforced, and dealers' financial responsibility is assured, that is all that producers need be directly concerned with. Competition among distributors is expected to govern the resale price, and place it at a level at which the most efficient can do business.

In no other industry does the Government attempt to fix rates and prices without controlling other elements, such as capitalization and rate of return on investment. It may be that some day milk will be dealt with as a public utility and the Government then will have to undertake to regulate the affairs of the milk distributors in all those respects. But in the meantime the Adjustment Administration holds that its principal job is to increase prices to producers.

Of the suggestions for production control, one which is advocated by a number of dairy leaders is purchase by the Government of low producer cows. But analysis discloses that normally four to four and one-half million cows are culled from herds in a year by the farmers. To rely entirely on a culling campaign might mean merely Government buying of cows which otherwise would be eliminated by the farmers themselves with no real effect on

production. In fact, to secure any effective degree of production control by this method alone might require acquisition of perhaps 2,000,000 cows in addition to normal culling. The problem of Government disposal of the large number of carcasses without complete ruin to the beef market would be involved.

Another proposal has been that efforts be confined to elimination of tubercular or other diseased cows. Adjustment Administration studies show that while this would be of importance as a public health measure, and would strengthen the dairy herds themselves, it would not by itself be a sufficient means of production control. It would replace normal culling to a considerable extent, and would be of little help to butter and milk prices.

A fourth suggestion seriously considered is that the percentage of butterfat required in butter, ice cream and other dairy products be increased. The effect of raising the butterfat standard of these products and a consequent reduction in their supply would of course give a higher unit price, but the return to producers per pound of fat would not be increased in case the total consumer expenditures for butter remain about the same. It would be a device for giving more for the money; that is, for a time, of depressing the price in order to sell a surplus.

Some people have urged that the manufacture of butter substitutes be prohibited absolutely by law, or that an embargo be placed on importations of fats and oils. But the principal source of these fats and oils is the Philippine Islands and it has never been the policy of Congress to shut out imports from any of our own possessions. There are also international questions involved. Even if all importations from outside the continental United States could be prevented, there would be a shift to domestic products, such as cottonseed oil and beef stearin. This would of course help the meat

and cotton producers.

The approximate total of oleomargarine consumed in the United States annually is 200 million pounds, as compared with a total of 2 billion pounds of butter. The government never before has prohibited use of any safe and non-injurious food product. Even if it should do so now, and if all consumption of oleomargarine were prohibited and persons formerly using this product turned to butter, the maximum increase in the price of butter probably would be less than 2 cents a pound. And since many oleo users might not turn to butter, the actual increase might be less than a cent a pound. The Adjustment Administration did not consider this sufficient help to offer farmers.

It also has been proposed that production be allowed to go unchecked and that an export corporation be formed to buy the surplus and sell it abroad, with producers being assessed an equalization fee to stand the loss. The principle of this plan is almost identically the same as that of the old McNary-Haugen idea, which the wheat, cotton and hog producers formerly advocated at a time before Europe with retaliatory tariffs and quotas had closed so many of our export markets.

The difficulty with the plan is that it ignores the strong probability that other nations would decline to accept our butter, even at dumping prices. The government of England, which is our greatest potential market, specifically has this power. This plan also offers a special difficulty when it is considered in connection with the proposed embargo on oleomargarine. It would be difficult for the dairy industry to get export markets and cut off imports at the same time.

A seventh proposal is that a campaign be undertaken to increase consumption of dairy products. While the Government recognizes the great nutritive value of these products, it can scarcely be expected to expend

public funds in the advertising of any one kind of farm crop as against another. If it did, other producer groups would demand the same kind of help. And since the human stomach is not elastic, the net result would be that consumption of the various farm products would have about the same ratio as at present.

(The fifth article of this series will give the main features of the production control program proposed by the Agricultural Adjustment Administration.)

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RELEASE - Monday, April 2, 1934

ARTICLE 5.

DAIRY ADJUSTMENT - WHAT AND WHY

(EDITOR'S NOTE: This is the fifth of a series of articles prepared by the Agricultural Adjustment Administration describing conditions in the dairy industry and explaining the proposed dairy adjustment program.)

As the flood of dairy products flows turbulently on its route to market, there is only one way to bring it under control. That is to place restrictive barriers in the main stream of milk, from which the sub-streams of fluid milk, cream, butter, cheese, and ice cream originate.

To attempt to improve conditions in any one of these branches of the dairy industry without considering the others is futile. When the main stream of milk is prevented from flowing into one of these products, it is simply diverted into others, with consequent price upsets.

That is why, after full and mature consideration, the Agricultural Adjustment Administration is proposing a voluntary sales allotment plan, with benefit payments to cooperating producers to be made from funds derived from processing taxes. This would be supplemented by programs for relief distribution of surplus milk to undernourished children in cities, for the transfer of healthy cows from surplus dairy areas to needy farm families who have no cows, and for the speeding up of bovine tuberculosis eradication.

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The program now being submitted to the dairy farmers for their consideration is designed to hold dairy production at or near the seasonally low levels of recent months. There is no thought of creating an "artificial shortage", but merely of keeping off the market excess supplies of dairy products which are not wanted at prices at which producers can afford to sell.

The main program would be based on contracts between individual producers and the Department of Agriculture. Farmers would not necessarily restrict production. If they like, they can keep on producing as much milk as at present, increasing consumption of dairy products in their own families. To qualify for benefit payments, they need only restrict sales to an amount slightly below their average sales for the base period, the years 1932 and 1933. The plan would be purely voluntary, and every farmer could participate or not as he wished.

Benefit payments to cooperating farmers would be at the rate of about 40 cents for each pound of butterfat which they reduce below their 1932-33 sales quota. Or they would be about $1.50 on each 100 pounds of surplus fluid milk which they reduce below their 1932-33 milk sales quota. For individual farmers, these limits would be 10 to 20 per cent, with a 10 per cent average reduction below the 1932-1933 volume as the general objective for the industry.

The total amount of benefit payments would be in the neighborhood of 150 million dollars. In addition 5 million dollars would be spent on relief distribution of milk, to be supplemented by Federal Emergency Relief Administration funds. It is estimated that with an

expenditure of 5 million dollars, at least 100 million pints of surplus milk, and perhaps much more, can be supplied to undernourished children in this manner. Also, 5 million dollars could be spent in transferring cows to farm families in need, and another 5 million for a disease eradication campaign. At the time this is written, Congress is considering an appropriation which would make possible further work along these lines.

While the control program is intended for one year, it may be continued for an additional year at the discretion of the Secretary of Agriculture. The plan is open to all dairymen, with eligibility to be established by base period delivery records or other adequate sales figures. Supervision will be by county production control associations and local committees.

One of the principal virtues of this plan is its flexibility. It permits the individual producer to follow whatever method is best adapted to his own situation in restricting his sales. He may consume his surplus at home, or he may take steps to restrict his production. If he does the latter, he has a choice of several methods. He may cull out his "boarder" cows, or he may feed less intensively. With the cooperation of the Bureau of Dairy Industry of the Department of Agriculture, it is proposed to set aside $225,000 to carry on an educational campaign to assist dairy producers in working out this problem, with special emphasis on the need for putting more land into pasture and roughage crops and less into grain. The Bureau's studies show how farmers, with the help of the emergency program, can make the reduction and put their production on a permanently more economical basis by feeding less grain and more roughage.

The dairy program has sufficient flexibility also to permit future expansion of production in step with any substantial increase in demand which may later develop in consumer buying power.

It is proposed to finance the program with a processing tax. This would start at one cent per pound on butterfat when the program goes into effect, and would be gradually advanced to 5 cents per pound as supply comes under control. A 5-cent tax on butterfat would be the equivalent of a half cent a quart on fluid milk.

Among the program's disadvantages are its administrative complexities, due to the nature of the industry and the large number of farmers engaged, the difficulty of checking sales, and the work of establishing sales quotas.

The Adjustment Administration believes that the plan's advantages far outweigh its disadvantages, but it wants the farmer's opinion on the subject. The individual farmer who cooperates will find his gross return, including benefit payments, increased. In addition, his cost of production will be lowered to some extent. The net result will be to increase his purchasing power, now distressingly low.

For the industry as a whole, the plan has the advantage of placing a check rein on production and preventing the further expansion which, if nothing is done, is almost certain to take place, due to the increase in cow numbers.

Within the next two weeks, the program will be taken to the dairy farmers in a series of regional meetings. Doubtless many concrete suggestions for its improvement will be made. All suggestions will be carefully considered. It is not the Adjustment Administration's

policy to impose any program upon any major group of producers, nor has it placed any of its major adjustment plans in effect without support of a majority of the farmers.

Hence, if the men who milk the cows wish the Government to invoke the powers authorized by the Agricultural Adjustment Act on their behalf, it is up to them to make their wishes known at these meetings. Adoption of the plan is up to the dairy farmers.

(The sixth article of this series, discussing the relationship of producers, distributors and consumers to the proposed dairy adjustment program, will appear tomorrow.)

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RELEASE - Tuesday, April 3, 1934.

DAIRY ADJUSTMENT - WHAT AND WHY

(EDITOR'S NOTE: This is the sixth of a series of articles prepared by the Agricultural Adjustment Administration describing conditions in the dairy industry and explaining the proposed dairy adjustment program.)

If the Agricultural Adjustment Administration undertakes a program of dairy production adjustment, the cooperation and support of producer and consumer groups is highly important.

The program will prove to be the target for brickbats from individuals in both groups as well as from processors and distributors. The inherent complexity of the problem and the fact that millions of people will be intimately affected makes this almost inevitable.

From representatives of consumer groups (and possibly producers as well) will come the objection that there is no over-production; that if everyone had all the dairy products he needs, there would be no surplus. With this the Administration will readily agree. But since the price of these products is far below parity, it is plain that consumers, no matter how much they might need them, do not want them bad enough in relation to other things they buy, to pay farmers parity prices for the full amount now being marketed.

It will be argued that the reason people in the cities do not buy the full amount produced at parity prices is because they lack purchasing

power. With this also the Administration will agree. But farmers lack purchasing power, too. And the Administration submits that the way to increase purchasing power of either group is not to impose on the other the necessity of accepting a mere pittance for their product, whether it be labor, or shoes, or milk. The objective of the entire recovery program is to restore prosperity and to bring social and economic justice to all groups. The National Recovery Act and other measures are intended to help restore purchasing power to the people in the cities. The Agricultural Adjustment Act is intended to help restore purchasing power to the people in the country. When both great groups have more money in hand, they will be able to buy more of each other's products. Larger incomes for the dairymen will contribute to the prosperity of their city neighbors. What seems to be an economy of scarcity is only a temporary phenomenon, while the process of forcing this new buying power through the cells of the economic body is taking place. The ultimate effect will be an economy of plenty.

The long-time program now being mapped by the Agricultural Adjustment Administration looks toward an increased place for dairy products in the national economy. This will be in the interests of agriculture, because it will involve more land in pasture and less in grain -- in other words, less surplus acres to be kept out of production. It will be in the interests of the people in the cities, and the nation as a whole, because it will mean a higher standard of nutrition and health.

Nor should it be assumed that this temporary adjustment program will necessarily curtail consumption of dairy products. The chances are that it will not decrease consumption of fluid milk at all, and it is quite likely to increase it because of the relief distribution of surplus milk

to undernourished children in the cities, and the transfer of cows to needy farm families. Habits of milk drinking will be established among thousands of people, and these habits doubtless will continue down through the years, to the lasting benefit of the dairy industry, and the nation as a whole. Furthermore, the families of many dairymen will be consuming more dairy products on the farm, instead of selling them.

If any decrease in consumption takes place, it will be in manufactured dairy products, where the surplus and consequent depression of prices are greatest. Or it may be that the program will simply prevent the piling up of storage supplies.

Processors and distributors of dairy products may object to the program, because anything which tends to restrict their volume cuts down their profits. Also, if they run true to the form of the processors of wheat, cotton, and hogs, they will object to the processing tax, telling consumers that the tax is increasing the price to them, and telling producers that the tax is decreasing the price to them.

The prospect is that the processing tax will be paid in part by the consumers and in part it will be absorbed by the distributors. Even if consumers pay the entire tax, it will amount on the average to only 15 cents a month per person or 75 cents a month for a family of five.

It is believed that consumers will not object to paying their share of the tax, in the interests of fair play to the producers as well as in their own enlightened self-interest, for preventing a disastrous milk shortage later on. Those distributors who have been reaping big profits while producers have been suffering should not object to absorbing part of the tax. As for producers, the tax will provide funds for

benefit payments which they will receive if they cooperate in the adjustment program; and the tax will be a means of control which will place their entire industry in a better position.

The dairy adjustment program which the Agricultural Adjustment Administration has prepared is the result of months of intensive study. It seems to offer an opportunity for the dairy producers to unite in taking advantage of the centralizing power of the Government. If the producers see fit to accept the plan, the Administration believes they will avoid much of the painfulness of readjustment which they will otherwise undergo. Consumers, too, in the opinion of the Administration will be helped by it, for it will prevent extreme demoralization in the dairy industry from which all groups--including consumers as well as producers--would eventually suffer. The plan, in other words, has been drawn so as to promote the best interests of the public as a whole.

<u>T H E   E N D</u>